Q4 2013

Interim Report 4/2013
January–December

Tieto's profitability improving – growth offerings defined

- A year of challenging demand closes with strong order intake
- Efficiency programme on track, causing high restructuring costs
- Increasing investments in selected growth businesses

Key figures for the fourth quarter

- Organically, net sales were down by 6.6%
- Outside the telecom sector, net sales were organically down by 3.5% (excluding currency effect -1.4%)
- Fourth-quarter operating profit excl. one-off items decreased to EUR 42.7 (44.2) million, margin increased to 10.2% (9.2)

Key figures for the full year

- Organically, net sales were down by 3.7%
- Outside the telecom sector, net sales were organically down by 0.7% (excluding currency effect -0.4%)
- Full-year operating profit excl. one-off items rose to EUR 143.8 (138.8) million, margin increased to 8.6% (7.6)
- Proposed dividend up by 8% to EUR 0.90 (0.83) per share, representing dividend yield of over 5%

EUR million	10–12/2013	10–12/2012	1–12/2013	1–12/2012
Net sales, EUR million	417.0	478.6	1 671.3	1 825.3
Change, %	-12.9	-2.3	-8.4	-0.2
Organic change, %	-6.6	-0.1	-3.7	1.3
Operating profit (EBITA), EUR million	18.7	-6.8	91.9	68.3
Operating margin (EBITA), %	4.5	-1.4	5.5	3.8
Operating profit (EBIT), EUR million	17.8	-7.8	88.2	63.0
Operating margin (EBIT), %	4.3	-1.6	5.3	3.5
Operating profit (EBIT) excl. one-off items[1], EUR million	42.7	44.2	143.8	138.8
Operating margin (EBIT) excl. one-off items[1], %	10.2	9.2	8.6	7.6
Profit after taxes, EUR million	15.0	-18.5	62.2	29.4
EPS, EUR	0.21	-0.26	0.86	0.41
Net cash flow from operations, EUR million	63.7	60.6	153.8	161.9
Return on equity, 12-month rolling, %	12.0	5.5	12.0	5.5
Return on capital employed, 12-month rolling, %	17.3	13.2	17.3	13.2
Investments, EUR million	23.6	19.3	71.7	62.9
Interest-bearing net debt, EUR million	1.9	23.9	1.9	23.9
Net debt/EBITDA	0.0	0.2	0.0	0.2
Book-to-bill	1.4	1.5	1.1	1.1
Order backlog	1 624	1 703	1 624	1 703
Personnel on 31 December	14 699	16 537	14 699	16 537

[1] Excl. capital gains, impairments and restructuring costs

Full-year outlook for 2014

Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 143.8 million in 2013).

CEO's comment

Comment regarding the interim report by Kimmo Alkio, President and CEO:
"2013 was a challenging year, but our fourth-quarter order book was strong and profitability continued to improve. In the low-demand environment we decided to invest in our longer-term competitiveness in terms of both new service innovations and cost efficiency. This led to high restructuring costs but has strengthened Tieto's position in the globally competitive environment.

We now look forward to focusing on higher-growth business opportunities. We will increase our investments in selected services, including customer experience management, healthcare solutions, early-stage investments in the industrial internet, and next generation cloud services. With these investments, we expect to increase the speed of our customers' business transformation. Through our investments in growth businesses I look forward for Tieto to play a big role in new innovative services."

Market development

In 2013, the Nordic IT services market for IT development projects was stagnant. The outsourcing market experienced a healthy level of interest, but decision-making cycles were long. In 2014, the IT services market is expected to gradually pick up, led by twofold developments. Due to the slow economic growth, clients are looking for additional savings from traditional IT services. On the other hand, internet-driven technology trends enable companies to renew the ways in which they compete in the market, driving investments in modern technologies. Tieto expects the market to grow by around 2% in 2014. Price pressure continues to persist, especially in managed services and application management.

The increasing use of smartphones and tablets, effective use of social media, fast take-off of eCommerce, and higher end-user expectations for internet-based services are challenging the traditional differentiation of enterprises. Therefore, enterprises must look for competitive advantage from customer interaction and experience. Demand for mobile solutions, especially in the customer interface, and business transformation related consulting are on the rise. The focus is currently also on business intelligence and new "as a service" delivery models. Areas like customer experience management, mobility and cloud services are expected to see growth rates of over 20% while the market for traditional IT services is likely to decline. New types of services currently account for less than 20% of the IT services market.

The market for projects to transform ICT infrastructure into more standardized cloud solutions is active. These trends provide ample longer-term opportunities for the renewal of old legacy systems and transformation into new platforms combining traditional IT with scalable and flexible IT environments. New technologies will also change the cost structures. Both the total cost of ownership for customers and the cost level of service providers will change due to a higher level of automation.

The major transformation of the IT industry may result in continuous actions to renew competences. The share of competences like project managers, user experience experts and business analysts will increase gradually. This change coupled with the offshoring trend may drive continued restructuring within companies.

Tieto is able to provide the full stack of integration and operations management services complemented with its own products. In 2014, the company will invest in offerings representing high-growth technologies and scalable services in its selected markets. As a result of this total service offering coupled with strong offshore capability and continued improvements in cost structure, the company is highly competitive in its target markets.

Market growth drivers

- Mobility is becoming an integrated component in most digital solutions. It is currently an essential feature for customer experience management and also changes the ways in which enterprises interact with partners and suppliers as well as empower their workforce with access to information and services. Most of the connected experiences around mobility need to be integrated into the systems delivering the data or use the data in the right context. Tieto's competitive asset in mobility is built on its strong position as an integrator among its clientele. Tieto's Enterprise Mobility Solution Framework combines the company's capabilities, solutions and partnerships to deliver a full service life-cycle and best-of-breed technology stack.
- Cloud: Customers are increasingly transferring their operations into scalable and flexible cloud environments. On the other hand, this will reduce volumes in traditional IT. As a full IT services partner, Tieto transforms its customers' existing traditional IT systems and business processes into cloud-based environments. New business models open up good business opportunities in all of Tieto's service lines. The company's "as a service" based industry solutions for the healthcare and financial services sector as well as cloud capacity services have experienced healthy growth. In the system integration business, Tieto is seeing new integration opportunities, e.g. moving front-end solutions to

the cloud. Tieto's cloud-related sales including all service lines account for a few percentage points of the company's net sales. In Managed Services, around 20% of Tieto's server capacity was being or will be transferred to a cloud environment based on the agreements concluded by the end of 2013. Scalability related to the 1-to-many service model enabled by the cloud and better server capacity utilization support good profitability for cloud services. Additionally, the higher level of automation increases operational efficiency.

- Big Data is one of the fastest-growing areas of IT services in the mid-long term. It is utilized to process, analyze and visualize massive amounts of data, such as information on customer behaviour or log data from telecom networks, making it possible for example to solve new kinds of complex business problems or establish revenue streams based on data-intensive digital services. The share of Big Data in the IT services market is expected to grow from the current level of 1% to around 5% by 2016. Tieto has a full stack offering portfolio for Big Data services and early adopters are already deploying the new technology. Tieto is currently implementing Big Data services for selected customers and has several good ongoing sales opportunities in this area. Tieto is leading the Data to Intelligence research programme launched by DIGILE, the Strategic Centre for Science, Technology and Innovation in the Field of ICT in Finland. The work within the programme in 2013 includes achievements in a number of areas, e.g. real-time analysis of image and video data, context intelligence for marketing and context-aware predictive modelling.
- Social: the value creation opportunity afforded by social technologies lies in improving communications and collaboration within and across organizations. Today's workforce is becoming more and more mobile, distributed and networked, which requires a new approach to collaboration. Social features will be increasingly integrated into IT architectures and will become a necessary component of enterprise technology deployments. Tieto sees Enterprise Social as a growth area that is driving both Tieto Productivity Cloud, a private cloud hosted by Tieto, and the customer experience offerings on it. Google Apps, added to Tieto's service offering in 2013, started to translate into business cases in the fourth quarter.

Industry sector drivers

Additionally, industry-specific drivers affect the IT service market:

- In the **finance** sector, regulatory changes and a strong focus on profitability drive IT transformation programmes. The market is active but still primarily driven by cost-saving and efficiency initiatives. Customer investments are primarily focused on front office services, customer experience and mobility. The trend of shifting to an "as a service" delivery model is stable.

- In the **public** sector, reduced central government spending and the reorganization of the central government ICT Services Centre may be delaying development activities in Finland. In Sweden, efficiency and cost cutting continue to be key drivers and the operations management and outsourcing market is growing.

- In the **healthcare** sector, the activity level has remained good, partly due to increasing regulation and national programmes to enhance information sharing, while customers are operating on tight budgets, especially in Finland. There is also healthy demand for eServices and mobile solutions in the sector.

- In the **manufacturing** sector, customers are postponing development investments and decreasing service levels. Cost savings comprise an important driver for initiating new IT projects. In the longer term, there are good opportunities to grow business transformation related consulting.

- In the **energy** utilities sector, clients are holding back investments due to cost savings programmes and regulatory changes related to the harmonization of the Nordic markets. The separation of retail and energy distribution drive investments in customer experience management. The market for advanced metering infrastructure in Norway is progressing and procurement processes are ongoing. The **oil & gas** market has remained active while cost cutting is currently on the agenda for oil & gas companies as well.

- The drop in both ad- and subscription-based revenue in the **media** sector has had a negative impact on IT investments in Finland while the market in Sweden and Norway is expected to grow slightly.

- In the **telecom** sector, telecom operators are under pressure and continue to implement cost reduction programmes. However, customers' initiatives to improve efficiency open up new transformation opportunities.

- In the market for **telecom product development**, customers are experiencing many changes, including business re-organizations and intensified competition, which is partly due to new types of players entering the market. As is typical in an operating environment with cost pressures, companies insource part of product development.This has resulted in reduced R&D spending and greater competition for the remaining external R&D spend. In the longer term, the demand for new technologies to handle the traffic from a growing number of connected devices will continue to increase, as will the appetite for a diverse range of end-user devices.

Company strategy

On 1 January 2013, Tieto's new operating model took effect and the new Leadership Team became fully operational. By strengthening its industry-driven structure and service offerings as well as the transparency of its business practices, the company is well positioned to increase its profitability and drive long-term growth.

The company's key targets include geographical focus and improved profitability. The company has implemented several divestments in 2012 and 2013. The divestments decreased year-on-year sales by around EUR 90 million in 2013. The corresponding impact on 2014 sales will amount to around EUR 50 million. Tieto will continue to monitor its businesses with the long-term target of increasing scalability and efficiency within the company.

Consulting and System Integration (CSI) practices such as enterprise content management, transformation consulting and enterprise mobility have been another development area for the company. However, both the softness of the IT market and some internal inefficiency have called for additional measures. Tieto is actively pursuing a programme to standardize its service offerings in line with today's market needs as well as carrying out additional initiatives to strengthen key competences such as project and programme management and transformation capabilities.

In September, Tieto acquired Canvisa Consulting, one of the leading Swedish consultancy companies in business and IT development within the financial services sector. Tieto also announced leadership changes in the Consulting and System Integration business to accelerate its transformation towards being the strategic IT services partner for its customers.

At the turn of the year, the company was in the process of defining its future investments in key offerings, partly compensating for the decline of traditional IT services. Investments (OPEX) in development and innovation will increase by close to EUR 10 million in 2014 compared with 2013 (EUR 40 million in 2013) and will be more focused on the selected offerings.

Investments in future high-growth offerings driving significant growth over the following few years from the current level of around EUR 200 million

- Customer Experience Management – providing Tieto's customers in the financial services and retail sectors with a competitive advantage by excelling in customer interaction and service
- Lifecare – the leading Nordic industry-specific solution for the healthcare and welfare sector
- Industrial Internet – an early-stage investment supporting customers' business beyond pure equipment sales by extending to services, especially in the manufacturing sector.

Investments in other key services to enhance scalability of selected key offerings

- Selected offerings in Industry Products to further strengthen well-performing solutions in the areas of financial services, hydrocarbon accounting and supply chain management
- Modernization of services in application management and infrastructure management to drive simplification, speed and efficiency
- Cloud services, mainly in Managed Services, to further drive growth of existing services, e.g. Tieto Cloud Server and Tieto Productivity Cloud, and to launch new services.

These offerings are expected to contribute to growth and the long-term operating margin (EBIT) target of 10% towards 2016. Capital expenditure (CAPEX) in 2014 is anticipated to remain at the level of 3–4% of sales, which is below the current depreciation level (EUR 78.3 million in 2013).

Streamlining of the company in 2013

The programme to create a competitive cost structure, launched in March 2012, was concluded in the second quarter of 2013. The programme had a positive impact of over EUR 60 (25) million on the company's operating profit in the full year.

New technologies and standardization drive industry changes and changes in customer behaviour towards less labour-intensive solutions as well as new pricing and service models. Additionally, Tieto continues to experience overcapacity due to the longer-term decline in the telecom sector. To ensure that Tieto can profitably deliver high-quality services at competitive prices, the company will continue to focus on improving efficiency. In May, Tieto started personnel negotiations in the CSI service line with the target of reducing up to 300 positions. In August, the company started personnel negotiations in Managed Services and Product Development Services, aiming to reduce up to 270 positions. In October, Tieto announced initiatives to reduce the number of positions by up to an additional 770 globally.

With the actions initiated in 2013, Tieto's objective is to reduce up to 1 340 positions, of which around 500 in CSI, 300 in Managed Services, 400 in Product Development Services and the rest mainly in industry groups and support functions. Of the redundancies, around 70% have been and will be implemented in Finland and Sweden, around 5% in other onshore countries and around 25% in offshore countries.

Around 880 of the redundancies materialized during the year and the company achieved savings of around EUR 9 million related to the programme in 2013, mainly in the fourth quarter. Tieto booked EUR 48.5 million in one-off costs the related to the streamlining actions initiated in 2013 in its full-year results. These costs cover around 1 250 job cuts, and the rest of related restructuring costs will be booked in 2014. Additionally, Tieto has booked an impairment loss of EUR 8.0 million related to the divestment of its local German and Dutch businesses and a net amount of EUR 0.9 million (positive) in other divestment-related one-off items.

Performance improvement in 2014

The market for new technologies will continue to grow whereas sales of traditional services may decline. Sales development in 2014 is subject to customers' IT spend and service focus and price development among other factors. In IT services, the company's objective is to grow in line with the market. In Product Development Services, fluctuations are anticipated to continue. The challenging operating environment and high comparison figure for the first quarter of 2013 are expected to lead to a sales decline in Product Development Services during the first half.

With the efficiency programme initiated in 2013, the company's target is to achieve annualized savings of over EUR 50 million, of which around EUR 9 million affected operating profit for 2013. The programme is expected to have a positive effect of around EUR 10 million in the first quarter of 2014 and the full effect is expected to materialize as of the second quarter.

Tieto's has seen significant restructuring costs over the past years due to the transformation of the company, combined with a challenging demand environment. Going forward, restructuring needs will be based on increased automation, competence transformation and demand adaptation.

Financial performance in October–December

Fourth-quarter net sales were down by 13% and amounted to EUR 417.0 (478.6) million. Divestments had a negative impact of EUR 33.5 million. Organically, net sales declined by 6.6%. The clients in the telecom sector continued to cut spending, resulting in a 17% drop in the sector in the fourth quarter. Outside the telecom sector, Tieto's sales were organically down by 3.5%. Overall, sales development reflects decreased volumes in project business, including product development, as well as lower prices in contract renewals. Currency fluctuations had a negative impact of EUR 9 million on sales.

Fourth-quarter operating profit (EBIT) amounted to EUR 17.8 (-7.8) million, representing a margin of 4.3% (-1.6). Operating profit included EUR 24.4 million in restructuring costs, EUR 0.4 million in other divestment-related costs and a EUR 0.1 million decrease in capital gains. Operating profit excl. one-off items[1)] stood at EUR 42.7 (44.2) million, or 10.2% (9.2) of net sales. Profitability was affected by the negative volume and price development as well as salary inflation. Salary inflation had a negative effect of close to EUR 4 million on operating profit. Additionally, quality costs related to some large projects in the Finnish public sector were significant. The negative development was partly offset by the cost savings programme and the decrease in bonus accruals. The cost savings programmes had a positive effect of around EUR 9 million on operating profit compared with the fourth quarter of 2012. Personnel costs excl. restructuring costs were down by around EUR 48 million, of which around half is attributable to the divestments. Currency changes did not have any significant impact on operating profit. Overall, good performance in Industry Products was the main contributor to profitability improvement.

Depreciation and amortization amounted to EUR 20.8 (21.5) million. Net financial expenses stood at EUR 1.6 (1.2) million in the fourth quarter. Net interest expenses were EUR 1.7 (1.2) million and net gains from foreign exchange transactions EUR 0.2 (0.2) million. Other financial income and expenses amounted to EUR -0.1 (-0.2) million.

Fourth-quarter earnings per share (EPS) totalled EUR 0.21 (-0.26). Earnings per share excluding one-off items[1)] and the non-recurring taxes related to the divestment amounted to EUR 0.48 (0.41).

[1)] Excl. capital gains, impairments and restructuring costs

The comparison figures for 2012 sales and operating margin have changed from the figures published initially due to some fine-tuning of the operating model that took effect on 1 January 2013. New comparison figures have been published on Tieto's website.

Financial performance by service line

EUR million	Customer sales 10–12/2013	Customer sales 10–12/2012	Change, %	Operating profit 10–12/2013	Operating profit 10–12/2012
Managed Services	129	127	2	-1.7	5.1
Consulting and System Integration	101	131	-22	-1.6	4.5
Industry Products	123	137	-10	29.3	11.4
Product Development Services	63	84	-24	-1.3	-23.9
Support Functions and Global Management				-6.9	-5.0
Total	**417**	**479**	**-13**	**17.8**	**-7.8**

Operating margin by service line

%	Operating margin 10–12/2013	Operating margin 10–12/2012	Operating margin excl. one-off items[1] 10–12/2013	Operating margin excl. one-off items[1] 10–12/2012
Managed Services	-1.3	4.1	5.4	7.8
Consulting and System Integration	-1.6	3.4	7.6	14.1
Industry Products	23.8	8.3	24.0	13.5
Product Development Services	-2.0	-28.6	4.2	2.8
Total	**4.3**	**-1.6**	**10.2**	**9.2**

[1] Excl. capital gains, impairments and restructuring costs

For a comprehensive set of service line and industry group figures, see the tables section.

Tieto's fourth-quarter sales were affected by several divestments implemented during 2012 and 2013. The table below includes customer sales adjusted for divestments.

Organic change by service line

EUR million	Customer sales adj. for acquisitions 10–12/2013	Customer sales adj. for divestments 10–12/2012	Change, %
Managed Services	129	126	2
Consulting and System Integration	100	116	-14
Industry Products	123	125	-2
Product Development Services	63	78	-19
Total	**416**	**445**	**-7**

The following divestments affected fourth-quarter sales: business operations in Italy and Spain, local businesses in Germany and the Netherlands, the forest business in the UK and the discontinued operations of Fidenta. Additionally, the acquisition of Canvisa Consulting is eliminated.

In Managed Services, the market for projects to transform ICT infrastructure to cloud-based environments remained active in the fourth quarter. Sales of cloud services, launched at the turn of the year, amounted to EUR 6 million, representing 5% of net sales. Currency changes had a negative impact of EUR 2 million on sales and the comparison figures for sales in 2012 included close to EUR 2 million in non-recurring income. Sales of the underlying business grew by over 5%. The Financial Services and the Public, Healthcare and Welfare industry groups enjoyed the strongest growth. Higher volumes did not fully translate into profits due to lower unit prices resulting from intense competition.

In Consulting and System Integration, the decline of the underlying business was attributable to the negative development in the telecom sector and the public sector in Finland while the finance sector saw positive development. Demand for consulting related to cloud services and business transformation remained at a healthy level. Currency changes had a negative impact of EUR 1 million. The service line has continued to streamline its operations but that was insufficient to offset the decline in volumes.

In Industry Products, sales excluding the currency effect of EUR 5 million (negative) saw slight organic growth despite negative sales development in joint ventures. Growth was attributable mainly to good demand related to industry-specific solutions in the financial services and the healthcare and welfare sectors. Demand for oil & gas products has also remained healthy. Mobility and investments in customer experience management drive investments and in addition, good development continued in the maintenance area, both in terms of sales and profit. The strong profitability trend continued due to higher operational efficiency, growth in offerings providing healthy margins and the divestments executed.

In Product Development Services (PDS), sales of the underlying business continued to slide as customers' cost savings pressures resulted in reduced R&D spending as well as in some cases insourcing. PDS has adjusted its operations during the past quarters, resulting in improved utilization rates and improved profitability in the fourth quarter. However, due to customers' short planning cycles and strong fluctuations in demand, profitability has not as yet stabilized to the targeted level. PDS anticipates that short-term fluctuations in demand will continue while planned cost reductions are expected to be finalized in early 2014.

Customer sales by industry group

EUR million	Customer sales 10–12/2013	Customer sales 10–12/2012	Change, %
Financial Services	93	94	-1
Manufacturing, Retail and Logistics	81	85	-5
Public, Healthcare and Welfare	113	127	-11
Telecom, Media and Energy	68	89	-24
Product Development Services	63	84	-24
Total	**417**	**479**	**-13**

Organic change by industry group

EUR million	Customer sales adj. for acquisitions 10–12/2013	Customer sales adj. for divestments 10–12/2012	Change, %
Financial Services	91	86	7
Manufacturing, Retail and Logistics	81	84	-4
Public, Healthcare and Welfare	113	121	-7
Telecom, Media and Energy	68	76	-11
Product Development Services	63	78	-19
Total	**416**	**445**	**-7**

The following divestments affected fourth-quarter sales: business operations in Italy and Spain, local businesses in Germany and the Netherlands, the forest business in the UK and the discontinued operations of Fidenta. Additionally, the acquisition of Canvisa Consulting is eliminated.

The Financial Services sector continued to offer ample IT transformation project opportunities, and investments in front office and mobility were at a healthy level. Industry-specific solutions provided good growth, particularly in the Cards and Payments areas. Fidenta, Tieto's joint venture with Nordea, was divested on 1 July. Some of the related business will continue within Tieto. Currency changes had a negative impact of EUR 2 million.

Manufacturing, Retail and Logistics concluded several new agreements during the quarter, contributing to both sales and book-to-bill. Growth was affected by currency changes of EUR 1 million (negative) and non-recurring income of EUR 2 million included in the comparison figure for sales in 2012. Due to the expiry of some major agreements and lower prices in some renewals, sales of the underlying business remained at the previous year's level.

Public, Healthcare and Welfare posted a sales decline that reflected reduced project business in the Finnish public sector. In addition to reduced government spending, the reorganization of the central government ICT Services Centre may have affected development activities. Fourth-quarter performance was also impacted by project overruns in the Finnish public sector. Activity level in the healthcare and welfare sector and the Swedish public sector remained good partly due to national programmes. Currency changes had a negative impact of EUR 2 million.

In Telecom, Media and Energy, the decline of the underlying business was mainly attributable to the development in the telecom sector which saw reduced volumes in the CSI area. Development also remained weak in the utilities segment due to cost cutting activities whereas Tieto's product for hydrocarbon accounting, developed for oil and gas companies, continued to experience healthy growth. Currency changes had a negative impact of EUR 3 million.

Financial performance in January–December

Full-year net sales were down by 8% and amounted to EUR 1 671.3 (1 825.3) million. The divestments had a negative impact of EUR 90.9 million. Organically, net sales declined by 3.7%. This was driven mainly by the drop in the telecom sector. Outside the telecom sector, sales were organically down by 0.7%. This development was also reflected as a sales decline in Consulting and System Integration. Currency fluctuations had a negative impact of EUR 3 million on sales.

Full-year operating profit (EBIT) amounted to EUR 88.2 (63.0) million, representing a margin of 5.3% (3.5). Operating profit includes restructuring costs of EUR 48.5 million, an impairment loss of EUR 8.0 million related to the divestment of the German and Dutch operations, capital gains of EUR 1.3 million related to the Fidenta and UK forest business divestments and other divestment related costs of EUR 0.4 million. Operating profit excl. one-off items[1)] stood at EUR 143.8 (138.8) million, or 8.6% (7.6) of net sales.

Profitability was affected by the negative volume and price development as well as salary inflation. Salary inflation had a negative effect of close to EUR 24 million on operating profit. The negative development was offset by the cost savings programme and the decrease in bonus accruals. The cost savings programme had a positive effect of around EUR 48 million on operating profit. Personnel costs excl. restructuring costs and divestment impact were down by around EUR 60 million, partly due to lower bonus accruals. Currency changes had a positive impact of EUR 2 million on operating profit.

Depreciation and amortization amounted to EUR 82.0 (85.0) million. Net financial expenses stood at EUR 6.6 (6.3) million in the full year. Net interest expenses were EUR 6.5 (6.0) million and net gains from foreign exchange transactions EUR 0.8 (0.5) million. Other financial income and expenses amounted to EUR -0.9 (-0.8) million.

Earnings per share (EPS) totalled EUR 0.86 (0.41). Earnings per share excluding one-off items[1)] and the non-recurring taxes related to the divestment amounted to EUR 1.48 (1.30).

The comparison figures for 2012 sales and operating margin have changed from the figures published initially due to some fine-tuning of the operating model that took effect on 1 January 2013. New comparison figures have been published on Tieto's website.

Financial performance by service line

EUR million	Customer sales 1–12/2013	Customer sales 1–12/2012	Change, %	Operating profit 1–12/2013	Operating profit 1–12/2012
Managed Services	502	484	4	8.4	6.4
Consulting and System Integration	409	500	-18	9.0	34.0
Industry Products	471	510	-8	84.2	65.2
Product Development Services	289	331	-13	8.4	-24.9
Support Functions and Global Management				-21.7	-17.8
Total	**1 671**	**1 825**	**-8**	**88.2**	**63.0**

[1)] Excl. capital gains, impairments and restructuring costs

Operating margin by service line

%	Operating margin 1–12/2013	Operating margin 1–12/2012	Operating margin excl. one-off items[1)] 1–12/2013	Operating margin excl. one-off items[1)] 1–12/2012
Managed Services	1.7	1.3	3.8	5.0
Consulting and System Integration	2.2	6.8	7.8	11.2
Industry Products	17.9	12.8	18.3	12.3
Product Development Services	2.9	-7.5	6.7	2.9
Total	**5.3**	**3.5**	**8.6**	**7.6**

[1)] Excl. capital gains, impairments and restructuring costs

Organic change by service line

EUR million	Customer sales adj. for acquisitions 1–12/2013	Customer sales adj. for divestments 1–12/2012	Change, %
Managed Services	502	481	4
Consulting and System Integration	407	453	-10
Industry Products	471	483	-3
Product Development Services	289	317	-9
Support Functions and Global Management			
Total	**1 670**	**1 734**	**-4**

The following divestments affected sales: business operations in Italy and Spain, local businesses in Germany and the Netherlands, the forest business in the UK and the discontinued operations of Fidenta. Additionally, the acquisition of Canvisa Consulting is eliminated.

Customer sales by industry group

EUR million	Customer sales 1–12/2013	Customer sales 1–12/2012	Change, %
Financial Services	367	368	0
Manufacturing, Retail and Logistics	305	322	-5
Public, Healthcare and Welfare	431	439	-2
Telecom, Media and Energy	279	364	-23
Product Development Services	289	331	-13
Total	**1 671**	**1 825**	**-8**

Organic change by industry group

EUR million	Customer sales adj. for acquisitions 1–12/2013	Customer sales adj. for divestments 1–12/2012	Change, %
Financial Services	365	348	5
Manufacturing, Retail and Logistics	305	320	-5
Public, Healthcare and Welfare	431	428	1
Telecom, Media and Energy	279	321	-13
Product Development Services	289	317	-9
Total	**1 670**	**1 734**	**-4**

The following divestments affected sales: business operations in Italy and Spain, local businesses in Germany and the Netherlands, the forest business in the UK and the discontinued operations of Fidenta. Additionally, the acquisition of Canvisa Consulting is eliminated.

Cash flow, financing and investments

Fourth-quarter net cash flow from operations amounted to EUR 63.7 million (60.6), including the decrease of EUR 40.5 (29.9) million in net working capital. The EUR 12.5 million increase in accounts payable, included in the change in net working capital, had a positive cash flow effect in the fourth quarter. Full-year net cash flow from operations amounted to EUR 153.8 million (161.9).

Payments for restructuring, which have a negative impact on cash flow, saw a declining trend during the year. The impact of the previous cost efficiency programme decreased towards the year end, but grew again in December on back of the new programme. Payments related to restructuring amounted to about EUR 8 million (negative) in the fourth quarter and to around EUR 37 million (negative) in the full year. In the first quarter of 2014, the monthly restructuring-related cash flow is anticipated to amount to around EUR 4 million.

Tax payments were EUR 20.9 million (in 2012: EUR 10.7 million due to a refund of EUR 15.9 million in Finland) in the full year.

Payments for acquisitions totalled EUR 1.7 million (0.5) in the full year. The divestment of the German and Dutch operations had a negative impact of EUR 22.0 million on the cash flow from investing activities.

Full-year capital expenditure totalled EUR 68.3 (62.6) million, of which paid EUR 58.5 million (59.1). Capital expenditure represented 4.1% (3.4) of net sales and was mainly related to Tieto’s data centres.

The equity ratio was 49.3% (46.9). Gearing decreased to 0.4% (4.5). Net debt totalled EUR 1.9 (23.9) million, including EUR 127.2 million in interest-bearing debt, EUR 4.1 million in finance lease liabilities, EUR 6.2 million in finance lease receivables, EUR 1.8 million in other interest-bearing receivables and EUR 121.4 million in cash and cash equivalents.

In May, Tieto issued a senior unsecured bond of EUR 100 million. The six-year bond matures in May 2019 and it carries a coupon of fixed annual interest of 2.875%. The proceeds from the bond offering were used to refinance the bond of EUR 100 million that matured in December 2013. Interest-bearing long-term loans amounted to EUR 102.8 million.

Interest-bearing short-term loans amounted to EUR 24.5 million, including EUR 20 million in commercial papers issued under the EUR 250 million commercial paper programme. Other short-term interest-bearing loans of EUR 4.5 million were mainly related to an agreement for software license financing. The syndicated revolving credit facility of EUR 100 million maturing in May 2016 was not in use at the end of December.

Order backlog

Tieto fine-tuned its order intake measurement in 2013. Tieto is reporting Total Contract Value (TCV) for the contracts signed during the quarter. Part of the contracts included are replacements of existing agreements, typically related to transformation cases for current customers with long existing contracts and with no incremental impact on the order backlog.

The year closed with a healthy order intake. TCV amounted to EUR 592 (707) million. Fourth-quarter book-to-bill stood at 1.4 (1.5).

TCV for the deals signed during the full-year period amounted to EUR 1 783 (1 987) million. Full-year book-to-bill stood at 1.1 (1.1).

The order backlog comprises services ordered with binding contracts. At the end of the period, the backlog amounted to EUR 1 624 (1 703) million. The comparison figure includes EUR 40 million in order backlog for the divested businesses. In total, 55% (57) of the backlog is expected to be invoiced during 2014.

Business transactions in January–December

On 4 February, Tieto agreed on a divestment of the majority of its operations in Germany and the Netherlands. The divested business operations, including around 900 employees in total, were transferred to the new owner on 30 June. Net sales of the divested businesses amounted to around EUR 44 million in July–December 2012 and to EUR 37 million in January–June 2013. The German businesses were loss-making in 2012. Tieto booked EUR 8.0 million in impairment losses related to the divestment and EUR 0.4 million in other divestment-related costs. Additionally, due to the transactions, second-quarter taxes rose by EUR 2.3 million. The negative cash flow effect was EUR 22.0 million of which EUR 19.5 million materialized during the second quarter, EUR 2.4 million in the third quarter and EUR 0.1 million in the fourth quarter.

During the second quarter, Tieto and Nordea agreed to discontinue the operations of Fidenta, their joint venture, as from 1 July. Fidenta was owned by Tieto (80%) and Nordea (20%), and Nordea acquired Tieto’s 80% stake of the shares on 1 July. In 2012, Fidenta's net sales amounted to around EUR 30 million of which Tieto's share has been reported under the Financial Services industry group and Industry Products service line. Tieto booked a capital gain of EUR 1.2 million related to the agreement. All 154 employees of the company transferred to either Nordea (129 employees) or Tieto (25 employees) on 1 July and part of the services previously delivered by Fidenta were transferred to Tieto. In 2012, Tieto and Nordea signed a framework agreement for using Tieto's IT service offshore centre. This agreement also covers part of the work transferred from Fidenta.

In September, Tieto acquired Canvisa Consulting, one of the leading Swedish consultancy companies in business and IT development within the financial services sector. In the financial year May 2012-April 2013, Canvisa's net sales amounted to SEK 68.6 million (EUR 8.2 million). Canvisa's number of personnel was 37.

In September, Tieto decided to divest its local forest business operations in the UK to Version 1, an IT service provider to major domestic and international customers across all industry sectors in the UK and Ireland. The rationale for divesting the forest business operations in the UK was their low synergy with Tieto's other forest business. Net sales of the divested business amounted to around EUR 3 million in 2012. The business operations and a total of 23 employees transferred to Version 1 on 31 October.

Major agreements in January–December

Financial Services

In April, Automatia Pankkiautomaatit Oy renewed its service agreement with Tieto for the next five years. The agreement covers ICT infrastructure services, including production, development and test environments as well as customer support services.

In April, Tieto and SEB concluded a three-year agreement on application and operations management services in order to help the customer achieve effective sub-custody operations.

In May, OP-Pohjola and Ilmarinen signed an extensive service agreement with Tieto. The agreement is a continuation of the service agreement concluded in 2008. In addition to the enhancement of operating services, the agreement also covers OP-Pohjola's and Ilmarinen's infrastructure services. The new agreement term is three years and it includes a two-year option.

In May, Tieto and Bank of America Merrill Lynch signed an agreement for implementing key components from the Deposit and Liquidity Management and Payments software portfolio. Tieto will be working in partnership with the bank to provide innovative products and services to the Global Treasury clients of Bank of America Merrill Lynch.

In December, Aktia selected Tieto to deliver the infrastructure for their new Core Bank solution. The agreement further expands the co-operation between the two parties and covers a project to build up the new infrastructure as well as a long-term commitment for continuous IT environment services.

Manufacturing, Retail and Logistics

In January, Swedish pharmaceutical company Apoteket AB extended its contract with Tieto for operation, application management and workstation solutions. The three-year contract has an option of a further two years. The order value amounts to approximately EUR 43 million during the three years.

In January, Tieto and Kesko signed a four-year continuation agreement on the supply of IT services. Tieto will continue as the supplier of Kesko Group's infrastructure services, such as capacity, workstation and integration services. In addition, Tieto and Kesko have agreed to expand their cooperation on SAP services, including the development of Kesko Group's SAP services and the maintenance of the main system supporting Anttila's business operations.

In June, Tieto and Volvohandelns Utvecklings AB (VU) agreed that Tieto will take over the delivery of IT infrastructure and end user services of VU. The order value is estimated at EUR 10 million during a three-year period. The transition started in September 2013.

In June, Borregaard chose Tieto to modernize its ICT environment through a five-year agreement. Borregaard will use Tieto's advanced private cloud solutions that utilize leading SAP and Microsoft technology, ensuring increased flexibility and reduced costs.

In June, Tieto and Onninen concluded a three-year agreement on capacity and workstations services.

In June, Tieto and SOK Corporation concluded an agreement on support, maintenance and development services for SOK's SAP system for non-food procurement. The agreement term is 3.5 years and the order value is EUR 16 million.

In September, Tieto and Stora Enso agreed on building a new ERP system for Stora Enso Wood Supply Finland. The agreement covers project management and the ramp-up of the services, including business and technical architecture, applications and system environment, migration and business transition. The project will be finalized in three years.

In November, Tieto and Ruukki signed a new agreement covering Ruukki's Server Operations and Capacity Management Services. Tieto has earlier been Ruukki's main supplier in this area and the new agreement will continue until spring 2017.

Public, Healthcare and Welfare

In May, Hansel Ltd, the central procurement unit of the Finnish Government, selected Tieto as its framework agreement supplier of data centre and capacity services. The agreement runs for six years and begun during summer 2013. The total value of the agreement amounts to about EUR 200–240 million.

In July, the Swedish county council Landstinget Västernorrland chose Tieto as its supplier of a wide range of IT services, including hosting and monitoring of applications, servers and communications network as well as local support for users. The delivery will be done in collaboration with Konica Minolta | Koneo. Tieto is the contractor and has overall responsibility for the entire delivery. The agreement is for five years with an option for a further two years and the total value is worth around SEK 300 million, of which Tieto's share is more than SEK 200 million.

In September, Tieto made a framework agreement with Skatteverket, the Swedish Tax Agency. It concerns the provision of consultancy services, which are part of Tieto's offering within Consulting and System Integration. The framework agreement covers 10 different suppliers and has an estimated total value of SEK 150 million. The agreement runs for one year.

In the second quarter, the County Council of Norrbotten, together with Region Halland, chose Tieto as a supplier of maintenance and support as well as further development and modernization of the customer’s VAS healthcare information system. The agreement, finalized in the third quarter, is for four years with an option for a further four years and the total value of the agreement for the eight-year period is around SEK 248 million.

In November, Tieto was chosen to supply the City of Stockholm with system support for healthcare and welfare services, including healthcare documentation, system support for scheduling and a mobile application that manages reporting within welfare operations. The three-year agreement includes an option to extend up to seven years. According to an evaluation by the client, the order value may amount to SEK 100 million with options and extensions.

In December, Tieto was awarded the contract to supply IT support for the child and pupil register within Skolplattform Stockholm (School Platform Stockholm). The term of the contract is seven years, with an option for an additional eight. In total, the order is worth around SEK 330 million.

Telecom, Media and Energy

In March, Tieto renewed its agreement with TeliaSonera for mainframe production and application operations. The contract is valid until autumn 2016. The order value during the period amounts to approximately EUR 25 million.

In May, Latvenergo, the largest power supply company in the Baltic States, selected Tieto as system integrator for the implementation of Oracle Customer Care and Billing (CC&B). The new system will support Latvenergo in acquiring new customers and provide the highest possible level of customer service. The project will be finalized during 2014.

In November, Tieto and Sanoma News, part of the Sanoma Group, concluded an agreement on transferring maintenance responsibility for Sanoma News' Customer Relationship Management system to Tieto as from 1 December 2013. As part of the agreement, eleven persons were transferred from Sanoma to Tieto.

Personnel

The number of full-time employees amounted to 14 699 (16 537) at the end of December. At the end of December, the number of full-time employees in the global delivery centres totalled 6 483 (6 879), or 44.1% (41.6) of all personnel. In Product Development Services, the offshore rate was 60.2% (59.0). In IT services, the offshore rate continued to rise and stood at 39.8% (35.1) at the end of December.

In the full year, the number of full-time employees decreased by a net amount of over 1 800. In addition to around 880 job cuts, divestments decreased the number of employees by close to 1 000. New outsourcing deals added some 150 employees. Additionally, the change was attributable to natural attrition and the recruitment of employees in key areas.

The 12-month rolling employee turnover stood at 9.3% (9.9) at the end of December. The average number of full-time employees was 15 619 (17 646) in the full year.

Wages and salaries for 2013 were EUR 701.0 (779.3) million. In 2013, 72% (73) of personnel were male and 28% (27) female. Salary inflation was around 2.5% in 2013 and is expected to be around 3% on average in 2014. In offshore countries, salary inflation is clearly above the average. Markets like India may see double-digit salary hikes.

Development

Tieto’s offering development costs totalled EUR 40 million in 2013, representing 2.4% of net sales (EUR 38 million in 2012, representing 2.1% of net sales). These costs comprise service development and product development with the focus, for example, on healthcare and welfare products and managed services. Additionally, the costs related to automation in managed services and internal development, including processes and tools, amounted to EUR 17 million. Development costs for major new business concepts and software products are capitalized as intangible assets if they fulfil the requirements stated in the accounting principles. No development costs were capitalized for either 2013 or 2012.

Shareholders' Nomination Board

The largest shareholders were determined on the basis of the shareholdings registered in the Finnish and Swedish book-entry systems on 31 August 2013. The shareholders nominated the following members to the Shareholders' Nomination Board:

Lars Förberg, Managing Partner, Cevian Capital AG,
Kari Järvinen, Managing Director, Solidium Oy,
Lauri Vaittinen, Chief Securities Officer, Etera Mutual Pension Insurance Company,
Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company, and
Markku Pohjola, Chairman of the Board of Directors, Tieto Corporation.

Board of Directors

The Annual General Meeting 2013 re-elected Kurt Jofs, Eva Lindqvist, Sari Pajari, Risto Perttunen, Markku Pohjola, Teuvo Salminen, Ilkka Sihvo and Jonas Synnergren.

Management

On 1 January 2013, the new operating model took effect and the new Leadership Team stepped in.

In June, Eva Gidlöf, member of the Tieto Leadership Team and Head of the Telecom, Media and Energy industry group, decided to pursue new opportunities outside Tieto as of 31 July 2013. Eva Gidlöf was also the Country Manager of Tieto in Sweden. As of 1 July 2013, Kolbjørn Haarr, Head of Tieto's New Markets and a member of Tieto's Leadership Team, took over the responsibility for Telecom, Media and Energy industry group operations. Per Johanson, Head of Financial Services, was appointed as Country Manager of Tieto in Sweden.

In September, Tieto announced changes in the Leadership Team. Satu Kiiskinen, previously Head of Public, Healthcare and Welfare, was appointed as Head of Consulting and System Integration. In addition to his role as Head of Manufacturing, Retail and Logistics, Ari Järvelä was appointed as acting Head of Public, Healthcare and Welfare until the successor for Satu Kiiskinen has been appointed. These changes took effect on 30 September 2013.

Henrik Sund, member of the Tieto Leadership Team and Head of Consulting and System Integration, decided to pursue new opportunities outside Tieto as of 30 September 2013.

Shares and share-based incentives

Tieto's share price rose by 10% during January–December. The company had 27 454 registered shareholders at the end of 2013. Based on the ownership records of the Finnish and Swedish central securities depositories, 50% of Tieto's shares were held by Finnish and 3% by Swedish investors. In total, there were 25 777 retail investors in Finland and Sweden and they held 15% of Tieto's shares.

Between 10 September and 11 November 2013, a total of 19 200 new Tieto Corporation shares were subscribed for with the company's stock options 2009A. The shares subscribed for were registered in the Trade Register on 26 November. As a result of the subscriptions, the number of Tieto shares increased to 73 132 367. At the end of December, the share capital amounted to EUR 76 555 412.00.

Between 12 November and 31 December 2013, a total of 11 100 new Tieto Corporation shares were subscribed for with the company's stock options 2009A. The shares subscribed for were registered in the Trade Register on 17 January 2014. On that date, the number of Tieto shares increased to 73 143 467.

At the end of 2013, the number of shares in the company's or its subsidiaries' possession totalled 541 794, representing 0.7% of the total number of shares and voting rights. In March, the Board of Directors decided on a directed share issue related to the reward payment for the performance period 2012 of Tieto's Long-Term Incentive Programme 2012–2014. In the share issue, 13 398 Tieto shares held by the company were conveyed without consideration to the

Leadership Team members participating in the programme. In December, 1 492 shares were returned to the company free of consideration. The number of outstanding shares, excluding the treasury shares, was 72 590 573 at the end of the year.

In December, Tieto received an announcement regarding a change in its shareholding. Silchester International Investors LLP announced that its aggregate holding in the company had risen to 5.01%.

Additional information regarding shares and shareholders is available at www.tieto.com/Investors/Shares.

Dividend proposal

The distributable funds of the Parent company amount to EUR 685.5 million, of which net profit for the current year amounts to EUR 38.9 million. The Board of Directors proposes a dividend of EUR 0.90 (0.83) per share for 2013. The dividend shall be paid to shareholders who on the proposed dividend record date, 25 March 2014, are recorded in the shareholders' register held by Euroclear Finland Ltd or the register of Euroclear Sweden AB. The proposed dividend payout does not endanger the solvency of the company.

Events after the period

Tieto has signed an agreement with Siemens to acquire part of Siemens Convergence Creators' Network Directory Server (NDS), IP Multimedia Systems (IMS), Home Location Register (HLR) and Radio Access (RA) businesses. The transaction will strengthen Tieto Product Development Services' (PDS) portfolio in voice and IP transformation area.

As part of the planned acquisition, approximately 220 employees will transfer to Tieto. Based on the acquisition, new business related to a significant customer will also be transferred to Tieto PDS. Over time, the transaction is expected to contribute in excess of EUR 15 million to annual sales. In addition, it is anticipated to improve PDS' profit. The final transition to Tieto is expected to take place by 1 April 2014.

Near-term risks and uncertainties

Slow growth in Europe might lead to a continued weakness in the IT services market as well. As Tieto's top 10 customers account for 29% of its net sales, the company's development is relatively sensitive to changes in the demand from large customers.

As is typical of Product Development Services, visibility is weak due to short order backlog. Overall, the challenging business environment in the telecom sector might have a negative impact on the company going forward. The company has initiated efficiency measures to adjust its resources and closely monitors the development of demand.

The major transformation of the IT industry may result in continuous actions to renew competences. This change coupled with the offshoring trend may drive continued restructuring within companies. This might create uncertainty among personnel and pose risks related to the company's performance.

As is typical of the industry, the large size of individual deals may have a strong effect on growth, and price pressure might lead to weak profitability. Additionally, new technologies, such as cloud computing, drive customer demand towards standardized and less labour intensive solutions. All these changes might result in the need for continuous restructuring.

Typical risks faced by the IT service industry involve the quality of deliveries, related project overruns and additional technology licence fees. Transitions to offshore delivery centres as well as the ongoing organizational change pose risks of project losses and penalties.

Full-year outlook for 2014

Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 143.8 million in 2013).

Auditing

The full-year figures in this report are audited.

Financial calendar 2014

6 February 2014	Interim report 4/2013 and financial statements bulletin for 2013 (8.00 am EET)
Week 8/2014	Annual Report 2013 on Tieto's website
20 March 2014	Annual General Meeting
25 April	Interim report 1/2014 (8.00 am EET)
18 July	Interim report 2/2014 (8.00 am EET)
23 October	Interim report 3/2014 (8.00 am EET)

Accounting policies

When preparing these financial statements, the Group has followed the same accounting policies as in the annual financial statements for 2012 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2013

- IAS 1 (Amendment), 'Financial statement presentation' regarding other comprehensive income.
- IAS 19 (Amendment), 'Employee benefits'. This amendment eliminates the corridor approach and calculates finance costs on a net funding basis. All actuarial profits and losses must be accounted for immediately in other comprehensive income. The balance sheet for 2012 is restated correspondingly by increasing, at the end of December 2012, the net pension liability by EUR 39 million, increasing the net deferred tax asset by EUR 7 million and decreasing the equity by EUR 32 million. The restated operating profit (EBIT) increased in Support Functions and Global Management by EUR 1.7. million as the interest part of the pension costs for defined benefit plans is regrouped to financial items. The restatement did not impact the net profit.
- The following changes will not currently have any impact on the Group's financial statements:
    - IFRS 7 (Amendment) 'Financial instruments: Disclosures of offsetting financial assets and financial liabilities'.
    - IFRS 13, 'Fair value measurement'.

The following new standards and amendments will be adopted by the Group in 2014:

- IFRS 11, 'Joint arrangements'. The standard is a more realistic reflection of joint arrangements as it focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has right to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Instead, the results will be reported as one line above operating profit (EBIT). Equity accounting will decrease the Group's net sales by around 4%. The change will mainly affect the Managed Services (around 2% negative) and Industry Products (around 12% negative) service lines. Of industry groups, the change will mainly affect Financial Services (around 10% negative) and Public Healthcare and Welfare (around 7% negative). EBIT will be affected by the amount corresponding to Tieto's share of joint ventures' financial items and taxes, and there might be a slightly positive impact, if any, on EBIT margin. The company's net profit for the period will not be affected. Adjusted comparative information will be provided concerning the preceding comparative period.
- The following changes do not currently have any impact on the Group's financial statements:
    - IFRS 10, 'Consolidated financial statements'.
    - IFRS 12, 'Disclosures of interests in other entities'.

- IAS 28 (revised 2011), ‘Associates and joint ventures’.
- IAS 32 (Amendment) ‘Offsetting financial assets and financial liabilities’
- IAS 36 (Amendment) ‘Impairment of assets’.
- IAS 39 (Amendment) ‘Financial instruments’.
- IFRIC 21 ‘Levies’. This is an interpretation of IAS 37, ‘Provisions, contingent liabilities and contingent assets’. IFRIC 21 is not yet endorsed by the EU.

IFRS 9, ‘Financial instruments’ is to replace IAS 39. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The management is assessing the impact of the change on the Group’s financial statements. The effective date has not been set yet as the standard is still subject to EU endorsement.

The accounting policies will be described in more detail in the annual financial statements for the year ended on 31 December 2013.

Key figures

	2013 10–12	2012 10–12	2013 7–9	2013 4–6	2013 1–3	2013 1–12	2012 1–12
Earnings per share, EUR							
Basic	0.21	-0.26	0.25	0.10	0.30	0.86	0.41
Diluted	0.21	-0.26	0.25	0.10	0.30	0.86	0.41
Equity per share, EUR	7.08	7.30	7.08	6.67	6.79	7.08	7.30
Return on equity, 12-month rolling, %	12.0	5.5	5.4	6.6	3.7	12.0	5.5
Return on capital employed, 12-month rolling, %	17.3	13.2	12.4	13.9	11.7	17.3	13.2
Equity ratio, %	49.3	46.9	46.6	43.7	42.8	49.3	46.9
Interest-bearing net debt, EUR million	1.9	23.9	45.0	71.5	6.9	1.9	23.9
Gearing, %	0.4	4.5	8.8	14.8	1.4	0.4	4.5
Investments, EUR million	23.6	19.3	15.5	15.3	17.3	71.7	62.9

Number of shares

	2013 10–12	2013 7–9	2013 4–6	2013 1–3	2013 1–12	2012 10–12	2012 1–12
Outstanding shares, end of period							
Basic	72 590 573	72 572 865	72 572 865	71 952 257	72 590 573	71 823 513	71 823 513
Diluted	72 887 720	72 854 016	72 826 090	72 556 343	72 894 452	72 579 951	72 532 449
Outstanding shares, average							
Basic	72 580 167	72 572 865	72 396 224	71 918 113	72 369 221	71 789 409	71 659 278
Diluted	72 870 930	72 834 535	72 695 876	72 563 601	72 677 909	72 177 229	72 009 960
Company's possession of its own shares							
End of period	541 794	540 302	540 302	540 302	541 794	553 700	553 700
Average	540 513	540 302	540 302	552 658	543 402	553 700	553 700

Income statement, EUR million

	2013 10–12	2012 10–12	2013 1–12	2012 1–12	Change %
Net sales	417.0	478.6	1 671.3	1 825.3	-8
Other operating income	5.2	5.3	12.4	27.2	-54
Employee benefit expenses	238.2	281.9	957.9	1 089.0	-12
Depreciation, amortization and impairment charges	20.8	55.1	90.0	119.1	-24
Other operating expenses	145.4	154.7	547.6	581.4	-6
Operating profit (EBIT)	17.8	-7.8	88.2	63.0	40
Interest and other financial income	1.4	1.7	5.4	9.6	-44
Interest and other financial expenses	-3.2	-3.1	-12.8	-16.4	-22
Net exchange gains/losses	0.2	0.2	0.8	0.5	-
Profit before taxes	16.2	-9.0	81.6	56.7	44
Income taxes	-1.2	-9.5	-19.4	-27.3	-29
Net profit for the period	**15.0**	**-18.5**	**62.2**	**29.4**	**112**
Net profit for the period attributable to					
Shareholders of the Parent company	15.0	-18.5	62.2	29.4	112
Non-controlling interest	0.0	0.0	0.0	0.0	-
	15.0	**-18.5**	**62.2**	**29.4**	**112**
Earnings per share attributable to the shareholders of the Parent company, EUR					
Basic	0.21	-0.26	0.86	0.41	110
Diluted	0.21	-0.26	0.86	0.41	110
Statement of comprehensive income, EUR million					
Net profit for the period	15.0	-18.5	62.2	29.4	112
Items that may be reclassified subsequently to profit or loss					
Translation differences	-5.9	-2.8	-21.2	0.6	-
Translation difference from net investment in subsidiaries (net of tax)	-	-2.4	-	6.9	-
Cash flow hedges (net of tax)	-1.6	-0.4	-1.8	1.9	-
Items that will not be reclassified subsequently to profit or loss					
Actuarial gain/loss on post employment benefit obligations (net of tax)	-6.9	-0.7	3.3	-13.9	-124
Total comprehensive income	**0.6**	**-24.8**	**42.5**	**24.9**	71
Total comprehensive income attributable to					
Shareholders of the Parent company	0.6	-24.8	42.5	24.9	71
Non-controlling interest	0.0	0.0	0.0	0.0	-
	0.6	**-24.8**	**42.5**	**24.9**	**71**

Balance sheet, EUR million

	2013 31 Dec	2012 31 Dec	Change %
Goodwill	382.6	391.6	-2
Other intangible assets	44.3	55.5	-20
Property, plant and equipment	95.0	99.3	-4
Deferred tax assets	27.6	30.4	-9
Finance lease receivables	1.9	5.5	-65
Other interest-bearing receivables	1.5	0.9	67
Available-for-sale financial assets	0.7	0.8	-13
Total non-current assets	553.6	584.0	-5
Trade and other receivables	400.5	456.2	-12
Pension benefit assets	5.8	-	-
Finance lease receivables	4.3	2.8	54
Other interest-bearing receivables	0.3	1.1	-73
Current income tax receivables	10.3	4.0	158
Cash and cash equivalents	121.4	86.7	40
Total current assets	542.6	550.8	-1
Assets classified as held for sale	-	44.8	-
Total assets	**1 096.2**	**1 179.6**	**-7**
Share capital, share issue premiums and other reserves	122.3	117.3	4
Share issue based on stock options	0.1	1.2	-92
Retained earnings	391.7	405.8	-3
Parent shareholders' equity	514.1	524.3	-2
Non-controlling interest	0.1	0.2	-50
Total equity	514.2	524.5	-2
Loans	103.1	4.0	2 478
Deferred tax liabilities	25.6	25.3	1
Provisions	9.2	8.9	3
Pension obligations	19.5	25.1	-22
Other non-current liabilities	3.0	4.1	-27
Total non-current liabilities	160.4	67.4	138
Trade and other payables	341.9	377.5	-9
Current income tax liabilities	7.2	5.1	41
Provisions	44.2	32.8	35
Loans	28.3	116.8	-76
Total current liabilities	421.6	532.2	-21
Liabilities classified as held for sale	-	55.5	-
Total equity and liabilities	**1 096.2**	**1 179.6**	**-7**

Net working capital in the balance sheet, EUR million

	2013 31 Dec	2012 31 Dec	Change %	2013 30 Sep	2013 30 Jun	2013 31 Mar
Accounts receivable	302.4	340.6	-11	301.8	341.9	345.5
Other working capital receivables	88.7	103.5	-14	109.8	104.8	118.3
Working capital receivables included in assets	**391.1**	**444.1**	**-12**	**411.6**	**446.7**	**463.8**
Accounts payable	83.1	86.6	-4	71.2	71.5	79.7
Personnel related accruals	136.6	157.3	-13	127.8	156.1	174.9
Other working capital liabilities	175.8	176.4	0	174.9	179.3	189.3
Working capital liabilities included in current liabilities	**395.5**	**420.3**	**-6**	**373.9**	**406.9**	**443.9**
Net working capital in the balance sheet	**-4.4**	**23.8**	**-118**	**37.7**	**39.8**	**19.9**

At the end of December 2012 working capital receivables EUR 36.5 million and working capital liabilities EUR 32.9 million were classified as held for sale.

Cash flow, EUR million

	2013 10–12	2012 10–12	2013 7–9	2013 4–6	2013 1–3	2013 1–12	2012 1–12
Cash flow from operations							
Net profit	15.0	-18.5	18.4	7.4	21.4	62.2	29.4
Adjustments							
Depreciation, amortization and impairment charges	20.8	55.1	19.2	28.8	21.2	90.0	119.1
Share-based payments	0.2	0.3	0.1	0.1	0.4	0.8	1.9
Profit/loss on sale of fixed assets and shares	-0.2	1.0	-1.3	0.0	0.1	-1.4	-14.4
Other adjustments	-5.2	-5.7	-0.3	-4.9	1.1	-9.3	-6.2
Net financial expenses	1.6	1.2	1.8	1.7	1.5	6.6	6.3
Income taxes	1.2	9.5	4.6	6.4	7.2	19.4	27.3
Change in net working capital	40.5	29.9	4.5	-22.5	-4.0	18.5	14.4
Cash generated from operations	73.9	72.8	47.0	17.0	48.9	186.8	177.8
Net financial expenses paid	-6.0	-4.5	-1.1	-2.0	-3.0	-12.1	-5.2
Income taxes paid	-4.2	-7.7	-7.0	-5.0	-4.7	-20.9	-10.7
Net cash flow from operations	**63.7**	**60.6**	**38.9**	**10.0**	**41.2**	**153.8**	**161.9**
Cash flow from investing activities							
Acquisition of Group companies and business operations, net of cash acquired	-	-	-1.7	-	-0,0	-1.7	-0.5
Capital expenditures	-17.8	-19.4	-11.7	-15.7	-13.3	-58.5	-59.1
Disposal of Group companies and business operations, net of cash disposed	1.6	-0.5	2.2	-19.5	-0,0	-15.7	18.7
Sales of fixed assets	0.9	-0.6	0.3	0.0	0.0	1.2	-0.3
Change in loan receivables	0.8	-1.9	0.3	1.4	-0.4	2.1	-5.1
Net cash used in investing activities	**-14.5**	**-22.4**	**-10.6**	**-33.8**	**-13.7**	**-72.6**	**-46.3**
Cash flow from financing activities							
Dividends paid	-	-	-	-59.7	-	-59.7	-53.7
Exercise of stock options	0.2	0.4	0.0	5.7	1.2	7.1	2.8
Payments of finance lease liabilities	-0.9	-0.6	-1.1	-0.6	-2.8	-5.4	-4.3
Change in interest-bearing liabilities	-82.9	-2.5	-3.4	95.9	-3.6	6.0	-62.7
Net cash used in financing activities	**-83.6**	**-2.7**	**-4.5**	**41.3**	**-5.2**	**-52.0**	**-117.9**
Change in cash and cash equivalents	**-34.4**	**35.5**	**23.8**	**17.5**	**22.3**	**29.2**	**-2.3**
Cash and cash equivalents at the beginning of period	154.8	55.9	132.3	100.3	86.7	86.7	95.8
Foreign exchange differences	1.0	-1.2	0.3	2.2	2.0	5.5	-2.2
Assets classified as held for sale	-	-3.5	-1.6	12.3	-10.7	-	-4.6
Change in cash and cash equivalents	-34.4	35.5	23.8	17.5	22.3	29.2	-2.3
Cash and cash equivalents at the end of period	**121.4**	**86.7**	**154.8**	**132.3**	**100.3**	**121.4**	**86.7**

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity									Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 31 Dec 2011	**75.8**	**39.0**		**-11.6**	**19.6**	**-1.8**	**0.6**	**425.1**	**546.7**	**0.2**	**546.9**
Comprehensive income											
Net profit for the period								29.4	29.4	0.0	29.4
Other comprehensive income											
Actuarial gain on post employment benefit obligations (net of tax)								-13.9	-13.9		-13.9
Translation difference from net investment in subsidiaries (net of tax)								6.9	6.9		6.9
Translation difference		1.3			-11.2			10.5	0.6		0.6
Cash flow hedges (net of tax)						1.9			1.9		1.9
Total comprehensive income		**1.3**			**-11.2**	**1.9**		**32.9**	**24.9**	**0.0**	**24.9**
Transactions with owners											
Share-based payments recognized against equity								2.3	2.3		2.3
Dividend								-53.6	-53.6		-53.6
Share subscriptions based on stock options	0.1	1.1					1.6		2.8		2.8
Share subscriptions based on stock options, not yet registered			1.2						1.2		1.2
Non-controlling interest											0.0
Total transactions with owners	**0.1**	**1.1**	**1.2**				**1.6**	**-51.3**	**-47.3**	**0.0**	**-47.3**
At 31 Dec 2012	**75.9**	**41.4**	**1.2**	**-11.6**	**8.4**	**0.1**	**2.2**	**406.7**	**524.3**	**0.2**	**524.5**

	Parent shareholders' equity									Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 31 Dec 2012	**75.9**	**41.4**	**1.2**	**-11.6**	**8.4**	**0.1**	**2.2**	**406.7**	**524.3**	**0.2**	**524.5**
Comprehensive income											
Net profit for the period								62.2	62.2	0.0	62.2
Other comprehensive income											
Actuarial gain on post employment benefit obligations (net of tax)								3.3	3.3		3.3
Translation difference		-1.2			-35.0			15.0	-21.2		-21.2
Cash flow hedges (net of tax)						-1.8			-1.8		-1.8
Total comprehensive income		**-1.2**			**-35.0**	**-1.8**		**80.5**	**42.5**	**0.0**	**42.5**
Transactions with owners											
Share-based payments recognized against equity								1.0	1.0		1.0
Dividend								-59.7	-59.7		-59.7
Share subscriptions based on stock options	0.6	5.6	-1.2				0.9		5.9		5.9
Share subscriptions based on stock options, not yet registered			0.1						0.1		0.1
Non-controlling interest										-0.1	-0.1
Total transactions with owners	**0.6**	**5.6**	**-1.1**				**0.9**	**-58.7**	**-52.7**	**-0.1**	**-52.8**
At 31 Dec 2013	**76.5**	**45.8**	**0.1**	**-11.6**	**-26.6**	**-1.7**	**3.1**	**428.5**	**514.1**	**0.1**	**514.2**

Segment information

Customer sales by service line, EUR million

	2013 10–12	2012 10–12	Change %	2013 1–12	2012 1–12	Change %
Managed Services	129	127	2	502	484	4
Consulting and System Integration	101	131	-22	409	500	-18
Industry Products	123	137	-10	471	510	-8
Product Development Services	63	84	-24	289	331	-13
Group total	**417**	**479**	**-13**	**1 671**	**1 825**	**-8**

No internal sales occur between service lines as in the management accounting, revenue and costs are booked directly to the respective customer projects in the service lines.

The comparison figures 2012 sales and operating margin have changed from the figures published initially due to some fine tuning of the operating model that took effect on 1 January 2013.

Customer sales by country, EUR million

	2013 1–12	Change %	Share %	2012 1–12	Share %
Finland	794	-4	48	830	45
Sweden	555	-4	33	580	32
Other	322	-23	19	415	23
Group total	**1 671**	**-8**	**100**	**1 825**	**100**

Customer sales by industry group, EUR million

	2013 10–12	2012 10–12	Change %	2013 1–12	2012 1–12	Change %
Financial Services	93	94	-1	367	368	0
Manufacturing, Retail and Logistics	81	85	-5	305	322	-5
Public, Healthcare and Welfare	113	127	-11	431	439	-2
Telecom, Media and Energy	68	89	-24	279	364	-23
Product Development Services	63	84	-24	289	331	-13
Group total	**417**	**479**	**-13**	**1 671**	**1 825**	**-8**

Customer sales to the telecom sector were EUR 102 (140) during September–December and EUR 445 (563) million during January-December.

Revenues derived from any single external customer during January–December 2013 or 2012 did not exceed the 10% level of the total net sales of the Group.

The comparison figures 2012 sales and operating margin have changed from the figures published initially due to some fine tuning of the operating model that took effect on 1 January 2013.

Operating profit (EBIT) by service line, EUR million

	2013 10-12	2012 10-12	Change %	2013 1–12	2012 1–12	Change %
Managed Services	-1.7	5.1	-133.1	8.4	6.4	30.9
Consulting and System Integration	-1.6	4.5	-136.7	9.0	34.0	-73.6
Industry Products	29.3	11.4	157.0	84.2	65.2	29.2
Product Development Services	-1.3	-23.9	94.6	8.4	-24.9	133.7
Support Functions and Global Management	-6.9	-5.0	-38.5	-21.7	-17.8	-22.4
Operating profit (EBIT)	**17.8**	**-7.8**	**327.3**	**88.2**	**63.0**	**40.1**

Operating margin (EBIT) by service line, %

	2013 10-12	2012 10-12	Change	2013 1–12	2012 1–12	Change
Managed Services	-1.3	4.1	-5.4	1.7	1.3	0.3
Consulting and System Integration	-1.6	3.4	-5.0	2.2	6.8	-4.6
Industry Products	23.8	8.3	15.5	17.9	12.8	5.1
Product Development Services	-2.0	-28.6	26.6	2.9	-7.5	10.4
Operating margin (EBIT)	**4.3**	**-1.6**	**5.9**	**5.3**	**3.5**	**1.8**

The new operating model taken into use 2013 is steered based on project performance and direct costs are linked to the deliveries in the service lines. The calculation of operating margin percentages is based on only customer sales by service lines as the internal invoicing between the legal entities based on transfer pricing requirements is reported within Support Functions and Global Management.

The comparison figures 2012 sales and operating margin have changed from the figures published initially due to some fine tuning of the operating model that took effect on 1 January 2013.

Operating profit (EBIT) excl. one-off items by service line, EUR million

	2013 10-12	2012 10-12	Change %	2013 1–12	2012 1–12	Change %
Managed Services	6.9	9.9	-30.1	19.3	24.3	-20.9
Consulting and System Integration	7.7	18.5	-58.1	32.0	56.1	-42.8
Industry Products	29.6	18.6	58.8	85.9	62.5	37.5
Product Development Services	2.7	2.3	13.8	19.4	9.7	100.6
Support Functions and Global Management	-4.2	-5.1	16.7	-12.9	-13.8	6.5
Operating profit (EBIT)	**42.7**	**44.2**	**-3.6**	**143.8**	**138.8**	**3.6**

Operating margin (EBIT) excl. one-off items by service line, %

	2013 10-12	2012 10-12	Change	2013 1–12	2012 1–12	Change
Managed Services	5.4	7.8	-2.5	3.8	5.0	-1.2
Consulting and System Integration	7.6	14.1	-6.5	7.8	11.2	-3.4
Industry Products	24.0	13.5	10.5	18.3	12.3	6.0
Product Development Services	4.2	2.8	1.4	6.7	2.9	3.8
Operating margin (EBIT)	**10.2**	**9.2**	**1.0**	**8.6**	**7.6**	**1.0**

The comparison figures 2012 sales and operating margin have changed from the figures published initially due to some fine tuning of the operating model that took effect on 1 January 2013.

Personnel by service line

	End of period				Average	
	2013	Change	Share	2012	2013	2012
	1–12	%	%	1–12	1–12	1–12
Managed Services	3 147	-3	21	3 228	3 170	3 349
Consulting and System Integration	3 986	-3	27	4 104	4 192	4 638
Industry Products	3 243	-9	22	3 550	3 387	3 607
Product Development Services	3 193	-26	22	4 310	3 673	4 575
Service Lines total	**13 569**	**-11**	**92**	**15 192**	**14 422**	**16 169**
Industry Groups	390	-36	3	607	418	680
Support Functions and Global Management	740	0	5	738	780	797
Group total	**14 699**	**-11**	**100**	**16 537**	**15 619**	**17 646**

The number of personnel in Support Functions and Global Management in 2012 and 2013 are not comparable as employees in this function, mainly in marketing and planning, are allocated differently. Additionally, the divestments implemented affect the change. The comparable change for 1–12/2013 is -12%.

Personnel by country

	End of period				Average	
	2013	Change	Share	2012	2013	2012
	1–12	%	%	1–12	1–12	1–12
Finland	4 790	-9	33	5 266	5 127	5 478
Sweden	2 701	-9	18	2 962	2 811	3 100
Czech Republic	1 940	1	13	1 918	1 920	1 954
India	1 591	4	11	1 523	1 579	1 590
China	949	-20	6	1 185	1 041	1 306
Poland	722	-33	5	1 084	884	1 166
Latvia	689	8	5	638	671	630
Norway	438	-1	3	444	444	456
Philippines	231	40	2	165	197	92
Lithuania	129	-10	1	143	132	147
Germany	79	-88	1	659	313	749
Other	440	-20	3	552	500	979
Group total	**14 699**	**-11**	**100**	**16 537**	**15 619**	**17 646**
Onshore countries	8 216	-15	56	9 658	8 963	10 477
Offshore countries	6 483	-6	44	6 879	6 657	7 170
Group total	**14 699**	**-11**	**100**	**16 537**	**15 619**	**17 646**

Non-current assets by country, EUR million

	2013 31 Dec	2012 31 Dec	Change %
Finland	102.0	111.3	-8
Sweden	28.0	31.5	-11
Other	9.2	12.0	-23
Total countries	**139.3**	**154.8**	**-10**
Non-current assets classified as held for sale	0.0	44.8	-100
Total non-current assets	**139.3**	**199.6**	**-30**

Goodwill is allocated to the Cash Generating Units, which include several countries and therefore goodwill is not included in the country specific non-current assets shown above.

Depreciation by service line, EUR million

	2013 10-12	2012 10-12	Change %	2013 1–12	2012 1–12	Change %
Managed Services	17.0	17.4	-2	67.1	67.0	0
Consulting and System Integration	0.3	0.2	21	1.0	1.0	5
Industry Products	0.2	0.3	-45	0.7	1.1	-35
Product Development Services	0.1	0.2	-32	0.7	0.9	-24
Support Functions and Global Management	2.3	2.4	-5	8.8	9.6	-9
Group total	**19.8**	**20.5**	**-3**	**78.3**	**79.7**	**-2**

Amortization on allocated intangible assets from acquisitions by service line, EUR million

	2013 10-12	2012 10-12	Change %	2013 1–12	2012 1–12	Change %
Managed Services	0.4	0.6	-23	1.8	2.6	-30
Consulting and System Integration	0.2	0.2	-2	0.6	0.6	-7
Industry Products	0.2	0.3	-29	0.9	1.5	-42
Product Development Services	0.1	0.0	-	0.4	0.6	-34
Support Functions and Global Management	0.0	0.0	-	0.0	0.0	-
Group total	**0.9**	**1.0**	**-12**	**3.7**	**5.3**	**-31**

Impairment losses by service line, EUR million

	2013 10-12	2012 10-12	Change %	2013 1–12	2012 1–12	Change %
Managed Services	0.0	0.5	-100	0.1	1.0	-87
Consulting and System Integration	0.0	11.5	-100	2.6	11.5	-77
Industry Products	0.0	6.5	-100	1.3	6.5	-81
Product Development Services	0.0	15.1	-100	3.6	15.1	-76
Support Functions and Global Management	0.0	0.0	-	0.4	0.0	-
Group total	**0.0**	**33.6**	**-100**	**8.0**	**34.1**	**-77**

Acquisitions during 2013

Tieto made the following acquisition during 2013:

*Canvisa Consulting AB, ownership 100%, effective September 2013

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration

EUR million	
Paid in cash	2.4
Contingent consideration	1.2
Total consideration	**3.6**

Recognized amounts of identifiable assets acquired and liabilities assumed

EUR million	Recognized on acquisition
Cash and cash equivalents	0.6
Property, plant and equipment	0.0
Intangible assets	0.4
Receivables	0.7
Current liabilities	-0.8
Deferred tax liabilities	-0.1
Total net assets	0.9
Goodwill	2.7
Total	**3.6**

Since the date of acquisition, the acquired unit has contributed about EUR 1.8 million to the revenue and EUR 0.1 million to the operating profit of the Group.

If the combinations had taken place at the beginning of the year, the revenue for the Group would have been about EUR 5.8 million and loss about EUR 0.5 million impacting the operating profit of the group.

Commitments and contingencies, EUR million

	31 Dec 2013	31 Dec 2012
For Tieto obligations		
Guarantees		
Performance guarantees	39.3	42.8
Lease guarantees	11.1	10.4
Other	0.4	0.5
Other Tieto obligations		
Rent commitments due in one year	54.4	53.6
Rent commitments due in 1–5 years	119.3	134.2
Rent commitments due after 5 years	24.8	19.4
Operating lease commitments due in one year	5.9	7.0
Operating lease commitments due in 1–5 years	6.2	6.8
Operating lease commitments due after 5 years	0.8	0.0
Commitments to purchase assets	17.5	3.5
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	1.0	-

Derivatives, EUR million

Notional amounts of derivatives

Includes the gross amount of all notional values for contracts that have not yet been settled or closed. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by other contracts.

	31 Dec 2013	31 Dec 2012
Foreign exchange forward contracts	180.6	250.2
Forward contracts outside hedge accounting	129.5	187.7
Forward contracts within hedge accounting	51.1	62.6
Electricity price futures contracts	1.7	2.0
Interest rate swap	-	200.0
Currency options	-	-

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:	31 Dec 2013	31 Dec 2012
Foreign exchange forward contracts	-3.3	0.3
Electricity price futures contracts	-0.3	-0.3
Interest rate swaps	-	-0.2
Currency options	-	-

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives:	Positive 31 Dec 2013	Positive 31 Dec 2012
Foreign exchange forward contracts	0.6	1.6
Forward contracts outside hedge accounting	0.4	0.6
Forward contracts within hedge accounting *)	0.2	1.0
Electricity price futures contracts	-	-
Interest rate swaps	-	2.4
Currency options	-	-

Gross negative fair values of derivatives:	Negative 31 Dec 2013	Negative 31 Dec 2012
Foreign exchange forward contracts	-3.9	-1.3
Forward contracts outside hedge accounting	-1.6	-0.8
Forward contracts within hedge accounting *)	-2.3	-0.5
Electricity price futures contracts	-0.3	-0.3
Interest rate swaps	-	-2.6
Currency options	-	-

*) Forward contracts within hedge accounting (net)	-2.1	0.5
The amount recognized in equity	-2.1	0.3
Net periodic interest rate difference recognized in interest income/expenses	-	0.3

Foreign exchange derivatives' fair values are calculated according to FX and interest rates on the closing date.

Interest rate swaps are valued according to the present value of their cash flows, supported by all relevant market data.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses, recognized in the hedging reserve in equity (note Other reserves) on forward foreign exchange contracts as of 31 December 2013 amounted to net EUR -2.1 million (EUR 0.3 million in 2012). These are recognised in the income statement in the current period or periods during which the hedged forecast transactions affect the income statement. This is usually within 12 months of the end of the reporting period. The hedged cash flows are expected to expire monthly in 2014.

The efficient portion of cash flow hedges recognized in net sales at 31 December 2013 amounted to a gain of EUR 0.7 million (EUR 0.3 million in 2012) and a loss of EUR 1.6 million (EUR 1.3 million in 2012) including the interest rate difference.

The inefficient portion recognized in the other operating income that arises from cash flow hedges amounts to a gain of EUR 0.3 million at 31 December 2013 (EUR 0.0 million in 2012). The inefficient portion recognized in other operating expenses that arises from cash flow hedges amounts to a loss of EUR 0.2 million at 31 December 2013 (EUR 0.0 million in 2012).

Other reserves

Cash flow hedges

EUR million	Hedging reserve
Balance at 1 Jan 2012	-1.8
Fair value gains in year	4.4
Fair value losses in year	-2.4
Tax on fair value gains	-0.1
Tax on fair value losses	0.0
Balance at 31 Dec 2012	0.2
Balance at 1 Jan 2013	0.2
Fair value gains in year	1.6
Fair value losses in year	-4.0
Tax on fair value gains	0.5
Tax on fair value losses	0.0
Balance at 31 Dec 2013	-1.7

Fair value measurement of financial assets and liabilities

EUR million 31 Dec 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	0.6	-	0.6
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	4.2	-	4.2

EUR million 31 Dec 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	4.0	-	4.0
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	4.2	-	4.2

Available-for-sale investments' fair value measurement is based on their initial value. The fair market value cannot be reliably estimated, due to lack of proper market for the assets.

QUARTERLY FIGURES

Key figures

	2013 10–12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Earnings per share, EUR								
Basic	0.21	0.25	0.10	0.30	-0.26	0.32	-0.10	0.45
Diluted	0.21	0.25	0.10	0.30	-0.26	0.32	-0.10	0.45
Equity per share, EUR	7.08	7.08	6.67	6.79	7.30	7.62	7.18	7.27
Return on equity, 12-month rolling, %	12.0	5.4	6.6	3.7	5.5	11.2	11.7	15.4
Return on capital employed,12-month rolling, %	17.3	12.4	13.9	11.7	13.2	18.5	18.2	21.7
Equity ratio, %	49.3	46.6	43.7	42.8	46.9	47.9	43.4	42.4
Interest-bearing net debt, EUR million	1.9	45.0	71.5	6.9	23.9	59.0	80.0	11.7
Gearing, %	0.4	8.8	14.8	1.4	4.5	10.8	15.5	2.2
Investments, EUR million	23.6	15.5	15.3	17.3	19.3	15.6	13.6	14.4

Income statement, EUR million

	2013 10–12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Net sales	417.0	373.3	436.2	444.8	478.6	423.5	456.1	467.1
Other operating income	5.2	3.3	1.4	2.5	5.3	1.8	3.1	17.0
Employee benefit expenses	238.2	205.9	254.6	259.2	281.9	233.9	298.9	274.3
Depreciation, amortization and impairment charges	20.8	19.2	28.8	21.2	55.1	21.8	21.0	21.2
Other operating expenses	145.4	126.7	138.7	136.8	154.7	137.6	142.6	146.5
Operating profit (EBIT)	17.8	24.8	15.5	30.1	-7.8	32.0	-3.3	42.1
Financial income and expenses	-1.6	-1.8	-1.7	-1.5	-1.2	-0.5	-2.1	-2.5
Profit before taxes	16.2	23.0	13.8	28.6	-9.0	31.5	-5.4	39.6
Income taxes	-1.2	-4.6	-6.4	-7.2	-9.5	-8.8	-1.4	-7.6
Net profit for the period	**15.0**	**18.4**	**7.4**	**21.4**	**-18.5**	**22.7**	**-6.8**	**32.0**

Balance sheet, EUR million

	2013 31 Dec	2013 30 Sep	2013 30 Jun	2013 31 Mar	2012 31 Dec	2012 30 Sep	2012 30 Jun	2012 31 Mar
Goodwill	382.6	387.0	385.0	394.2	391.6	423.3	416.6	415.3
Other intangible assets	44.3	40.5	46.1	51.4	55.5	61.8	67.3	72.4
Property, plant and equipment	95.0	96.8	98.6	100.8	99.3	99.7	99.2	101.8
Other non-current assets	31.7	35.1	38.6	37.0	37.6	58.8	55.8	54.0
Total non-current assets	553.6	559.4	568.3	583.4	584.0	643.6	638.9	643.5
Trade receivables and other current assets	421.2	448.2	466.8	486.1	464.1	492.5	514.6	480.2
Cash and cash equivalents	121.4	154.8	132.3	100.3	86.7	55.9	91.1	162.9
Total current assets	542.6	603.0	599.1	586.4	550.8	548.4	605.7	643.1
Assets classified as held for sale	-	2.0	6.2	54.8	44.8	18.5	17.8	25.6
Total assets	**1 096.2**	**1 164.4**	**1 173.6**	**1 224.6**	**1 179.6**	**1 210.5**	**1 262.4**	**1 312.2**
Total equity	514.2	513.5	483.9	488.7	524.5	547.3	514.9	519.3
Non-current loans	103.1	101.0	102.1	3.7	4.0	107.2	110.3	114.3
Other non-current liabilities	57.3	58.9	58.3	61.5	63.4	101.0	99.3	99.7
Total non-current liabilities	160.4	159.9	160.4	65.2	67.4	208.2	209.6	214.0
Trade payables and other current liabilities	349.1	344.2	385.4	478.7	382.6	387.2	416.0	477.7
Provisions	44.2	38.9	28.4	26.7	32.8	38.2	42.7	19.6
Current loans	28.3	107.7	110.9	114.3	116.8	16.1	65.3	65.1
Total current liabilities	421.6	490.8	524.7	619.7	532.2	441.5	524.0	562.4
Liabilities classified as held for sale	-	0.2	4.6	51.0	55.5	13.5	13.9	16.5
Total equity and liabilities	**1 096.2**	**1 164.4**	**1 173.6**	**1 224.6**	**1 179.6**	**1 210.5**	**1 262.4**	**1 312.2**

Cash flow, EUR million

	2013 10–12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Cash flow from operations								
Net profit	15.0	18.4	7.4	21.4	-18.5	22.7	-6.8	32.0
Adjustments	18.4	24.1	32.1	31.5	61.4	32.4	25.3	14.9
Change in net working capital	40.5	4.5	-22.5	-4.0	29.9	-14.3	-18.0	16.8
Cash generated from operations	73.9	47.0	17.0	48.9	72.8	40.8	0.5	63.7
Net financial expenses paid	-6.0	-1.1	-2.0	-3.0	-4.5	0.2	0.4	-1.3
Income taxes paid	-4.2	-7.0	-5.0	-4.7	-7.7	-4.7	-4.7	6.4
Net cash flow from operations	**63.7**	**38.9**	**10.0**	**41.2**	**60.6**	**36.3**	**-3.8**	**68.8**
Net cash used in investing activities	**-14.5**	**-10.6**	**-33.8**	**-13.7**	**-22.4**	**-15.8**	**-11.6**	**3.5**
Net cash used in financing activities	**-83.6**	**-4.5**	**41.3**	**-5.2**	**-2.7**	**-55.3**	**-56.2**	**-3.7**
Change in cash and cash equivalents	**-34.4**	**23.8**	**17.5**	**22.3**	**35.5**	**-34.8**	**-71.6**	**68.6**
Cash and cash equivalents at the beginning of period	154.8	132.3	100.3	86.7	55.9	91.1	162.9	95.8
Foreign exchange differences	1.0	0.3	2.2	2.0	-1.2	-0.7	-0.3	0.0
Assets classified as held for sale	-	-1.6	12.3	-10.7	-3.5	0.3	0.1	-1.5
Change in cash and cash equivalents	-34.4	23.8	17.5	22.3	35.5	-34.8	-71.6	68.6
Cash and cash equivalents at the end of period	**121.4**	**154.8**	**132.3**	**100.3**	**86.7**	**55.9**	**91.1**	**162.9**

QUARTERLY FIGURES BY SEGMENTS

Customer sales by service line, EUR million

	2013 10-12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	129	120	128	125	127	125	115	117
Consulting and System Integration	101	92	107	108	131	109	130	131
Industry Products	123	101	121	126	137	115	125	132
Product Development Services	63	60	79	86	84	75	86	87
Group total	**417**	**373**	**436**	**445**	**479**	**424**	**456**	**467**

The comparison figures 2012 sales and operating margin have changed from the figures published earlier due to some fine tuning of the operating model that took effect on 1 January 2013.

Customer sales by industry group, EUR million

	2013 10-12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Financial Services	93	84	97	94	94	85	90	98
Manufacturing, Retail and Logistics	81	70	78	76	85	78	81	77
Public, Healthcare and Welfare	113	96	109	114	127	100	106	107
Telecom, Media and Energy	68	63	74	74	89	86	92	98
Product Development Services	63	60	79	86	84	75	86	87
Group total	**417**	**373**	**436**	**445**	**479**	**424**	**456**	**467**

The comparison figures 2012 sales and operating margin have changed from the figures published earlier due to some fine tuning of the operating model that took effect on 1 January 2013.

Operating profit (EBIT) by service line, EUR million

	2013 10-12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	-1.7	3.6	5.2	1.3	5.1	7.5	-3.7	-2.5
Consulting and System Integration	-1.6	4.0	2.8	3.8	4.5	13.0	3.9	12.7
Industry Products	29.3	20.7	15.8	18.5	11.4	13.0	8.4	32.4
Product Development Services	-1.3	3.0	-2.6	9.3	-23.9	0.4	-3.9	2.5
Support Functions and Global Management	-6.9	-6.6	-5.6	-2.7	-5.0	-1.8	-8.0	-3.0
Operating profit (EBIT)	**17.8**	**24.8**	**15.5**	**30.1**	**-7.8**	**32.0**	**-3.3**	**42.1**

Operating margin (EBIT) by service line, %

	2013 10-12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	-1.3	3.0	4.0	1.0	4.1	6.0	-3.2	-2.1
Consulting and System Integration	-1.6	4.4	2.6	3.5	3.4	11.9	3.0	9.7
Industry Products	23.8	20.5	13.0	14.6	8.3	11.3	6.7	24.6
Product Development Services	-2.0	5.0	-3.4	10.8	-28.6	0.6	-4.5	2.9
Operating margin (EBIT)	**4.3**	**6.6**	**3.6**	**6.8**	**-1.6**	**7.6**	**-0.7**	**9.0**

The comparison figures 2012 sales and operating margin have changed from the figures published earlier due to some fine tuning of the operating model that took effect on 1 January 2013.

Operating profit (EBIT) excl. one-off items by service line, EUR million

	2013 10-12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	6.9	5.9	5.5	0.9	9.9	9.3	7.2	-2.1
Consulting and System Integration	7.7	9.6	9.6	5.1	18.5	13.6	11.3	12.7
Industry Products	29.6	20.8	16.9	18.6	18.6	14.2	12.6	17.1
Product Development Services	2.7	4.8	2.0	10.0	2.3	1.6	2.2	3.5
Support Functions and Global Management	-4.2	-3.3	-2.8	-2.7	-5.1	-1.2	-4.7	-2.9
Operating profit (EBIT)	**42.7**	**37.9**	**31.3**	**32.0**	**44.2**	**37.5**	**28.6**	**28.4**

Operating margin (EBIT) excl. one-off items by service line, %

	2013 10-12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	5.4	4.9	4.3	0.7	7.8	7.5	6.2	-1.8
Consulting and System Integration	7.6	10.5	8.9	4.7	14.1	12.4	8.7	9.7
Industry Products	24.0	20.7	14.0	14.8	13.5	12.3	10.1	13.0
Product Development Services	4.2	7.9	2.6	11.6	2.8	2.2	2.5	4.1
Operating margin (EBIT)	**10.2**	**10.1**	**7.2**	**7.2**	**9.2**	**8.9**	**6.3**	**6.1**

The comparison figures 2012 sales and operating margin have changed from the figures published earlier due to some fine tuning of the operating model that took effect on 1 January 2013.

Major shareholders on 31 December 2013

		Shares	%
1	Cevian Capital *)	11 073 614	15.1
2	Solidium Oy	7 415 418	10.1
3	Silchester International Investors LLP *)	3 666 901	5.0
4	Etera Mutual Pension Insurance Co.	3 000 000	4.1
5	OP-Pohjola Group Central Cooperative	2 301 709	3.1
6	Ilmarinen Mutual Pension Insurance Co.	1 857 871	2.5
7	Swedbank Robur fonder	1 796 120	2.5
8	Varma Mutual Pension Insurance Co.	1 543 488	2.1
9	The State Pension fund	823 000	1.1
10	Nordea funds	668 396	0.9
		34 146 517	46.7
	Nominee registered	36 762 043	50.3
	Others	2 223 807	3.0
	Total	**73 132 367**	**100.0**

Based on the ownership records of Euroclear Finland Oy and Euroclear Sweden AB.

*) Based on the ownership records of Euroclear Finland Oy, Cevian Capital's holding on 31 October 2013 was 11 073 614 shares, representing 15.1% of the shares and voting rights.

*) On 17 December 2013, Silchester International Investors LLP announced that its holding in Tieto Corporation was 3 666 901 shares, which represents 5.0% of the shares and voting rights.

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Press conference for analysts and media will be held at Tieto's premises in Helsinki, address: Aku Korhosen tie 2-6, at 11.00 a.m. EET (10.00 a.m. CET, 9.00 a.m. UK time). The results will be presented in English by Kimmo Alkio, President and CEO, and Lasse Heinonen, CFO.

The conference will be **webcasted** and can be viewed live on Tieto's website. The meeting participants can also join a telephone conference that will be held at the same time. The telephone conference details can be found below.

Telephone conference numbers:
Finland: +358 (0)9 6937 9590
Sweden: +46 (0)8 5033 6538
UK: +44 (0)20 3427 1909
US: +1 212 444 0412
Conference code: 6359552

To ensure that you are connected to the conference call, please dial in a few minutes before the start of the press and analyst conference. There will also be a possibility to present questions online. An on-demand video will be available after the conference.

Tieto publishes financial information in English, Finnish and Swedish. The full interim report with tables is available only in English and Finnish.

TIETO CORPORATION

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Founded 1968, headquartered in Helsinki, Finland and with approximately 15 000 experts, the company operates in over 20 countries with net sales of approximately EUR 1.7 billion. Tieto's shares are listed on NASDAQ OMX in Helsinki and Stockholm. Please visit www.tieto.com for more information.

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